



State of Arizona
Department of Education

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MEMORANDUM

TO: Sponsors of the Fresh Fruit and Vegetable Program

FROM: Mary Szafranski, Deputy Associate Superintendent
Arizona Department of Education, Health and Nutrition Services

Jessica Creed-Capsel, Director
Arizona Department of Education, School Food Programs

Original Signed

DATE: June 18, 2012

SUBJECT: Fresh Fruit and Vegetable Program Fees in FSMC and Catering Contracts

This memo is written in response to a number of concerns regarding school food authorities (SFAs) in contracts with food service management companies (FSMCs) or caterers that allow the FSMC or caterer to charge a fixed fee to the Fresh Fruit and Vegetable Program (FFVP).

As stated in the current United States Department of Agriculture (USDA) FFVP Handbook, FFVP costs that may be charged to the FFVP grant are broken into two categories: administrative and operational. Operational costs are the primary costs of running the FFVP, including such costs as:

- Purchase of fruits and vegetables, including the cost of pre-cut produce and delivery charges;
- Non-food items or supplies that are used in serving and cleaning; and
- Salaries and fringe benefits for employees engaged in preparing and distributing fresh fruits and vegetables and in maintaining a sanitary environment.

Administrative costs, which currently cannot exceed ten percent of the overall grant, are used principally to support planning and managing the program. It is important to note that most of a school's FFVP funds must be spent on purchasing fresh fruits and vegetables. The Arizona Department of Education (ADE) defines "most" as at least seventy percent of the total grant allocation. ADE allows the remaining thirty percent of the total grant allocation to be spent on non-food costs, including the ten percent maximum for administrative costs. This means that all



non-food costs must be carefully reviewed and deemed reasonable, given the extent of program operations. Costs reported by the SFA for reimbursement from the grant must be allowable, actual costs and fully documented. Labor costs, which must be minimal in either the “operating or administrative” category, must be reported by the SFA in a manner that clearly identifies the actual time allocated to the FFVP. Please refer to the FFVP Handbook and policy memoranda for more information on allowable costs and how to claim them.

Prior to executing a FFVP contract with a FSMC or caterer, the SFA must carefully assess all contractual provisions allowing the FSMC or caterer to charge costs other than actual costs of fresh fruits and vegetables. The purpose is to ensure adherence to the cost limitations placed on the FFVP as described above. It is recommended that the SFA assess each bid or proposal received from FSMCs or caterers in order to determine the allowability of the fixed fee component charged to the FFVP (or any other fees charged to the FFVP not related to the actual cost of the fresh fruits or vegetables). This type of careful review will help ensure that the resulting contract executed by a SFA adheres to FFVP requirements. Moreover, a SFA must ensure contracts with FSMCs or caterers require the FSMC or caterer to provide full documentation of allowable costs. This documentation must clearly outline the allocation of costs charged to the FFVP (i.e., amounts charged for labor, administrative fees, and actual costs of fresh fruits and vegetables, etc.). The SFA should then use this information provided by the FSMC or caterer as a basis for its reimbursement claim under the FFVP. If the FSMC or caterer is unable or unwilling to provide this information, the SFA has two choices: it must consider either running the FFVP separately from its existing FSMC or catering contract; or, relinquishing its grant funding. Please note that if provisions are to be added to an existing FSMC contract, the amendment must be evaluated to determine if the change is material, or not.

In addition to the concerns about the information and documentation that a SFA must obtain from the FSMC or caterer in order to claim reimbursement from ADE under the FFVP, we recommend SFAs that choose to have a FSMC or caterer run any aspect of the FFVP follow the guidance below. Thus, the SFA should:

- Provide assurance that the FSMC or caterer is completely apprised of all FFVP policies and rules to guarantee the program is operated in compliance with ADE and USDA standards;
- Regularly monitor FSMC or caterer operations to ensure compliance with relevant FFVP requirements and all provisions of the contract;
- Be able to identify in the solicitation document both the SFA’s and FSMC’s or caterer’s roles and responsibilities in the FFVP service;
- Include a provision in the request for proposal that requires FSMCs or caterers to submit a FFVP cycle menu based on USDA guidance (see next bullet) which could then be used in the scoring process to compare one FSMC’s or caterer’s fixed fee to another;
- Although serving sizes are not required in the FFVP, SFAs may consider including “portion sizes” by referencing the *Fruits and Vegetables Galore: Helping Kids Eat More* guidance, the new meal pattern or the *Food Buying Guide*

for Child Nutrition Programs. Incorporating additional guidelines helps ensure the SFA is taking its required active role in operating the FFVP and helps in creating a more level playing field for potential vendors; and,

- Include a provision in the solicitation that requires all FSMCs or caterers to document and track FFVP expenses separately and make this documentation easily accessible for the SFA to review.

If you have any questions regarding your FSMC or catering contract, please contact Ellen Pimental, Contracts Officer at (602) 542-6208 and/or Ellen.Pimental@azed.gov.

If you have any additional questions regarding this memo, please contact Jennifer Gordon, FFVP Specialist at (602) 542-8704 and/or Jennifer.Gordon@azed.gov.

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